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FIRST COUNTRY COOPERATION FRAMEWORK FOR THE LAO PEOPLE'S DEMOCRATIC REPUBLIC (1997-2000)

CONTENTS

	Paragraphs	Page
INTRODUCTION	1 - 3	2
I. NATIONAL DEVELOPMENT SITUATION	4 - 9	2
II. RESULTS AND LESSONS OF PAST COOPERATION	10 - 14	3
III. PROPOSED STRATEGY AND THEMATIC AREAS	15 - 37	4
A. Rural community development	19 - 26	5
B. Management of economic transition	27 - 32	6
C. Environment and natural resource management	33 - 37	7
IV. MANAGEMENT ARRANGEMENTS	38 - 44	8
A. Formulation and design	38 - 39	8
B. Execution and implementation	40 - 41	9
C. Monitoring and review	42 - 43	9
D. Resource management	44	9
Annex. Resource mobilization target table for the Lao People's Democratic Republic (1997-2000)		10

INTRODUCTION

1. The first country cooperation framework (CCF) for the Lao People's Democratic Republic outlines the focus of UNDP technical cooperation for the period 1997-2000 and the resources to be targeted on a rolling basis. It conforms to the Government's Socio-economic Development Plan and Public Investment Plan, approved by the National Assembly in September 1996, and represents an agreement between the Government and UNDP on how UNDP support can best be used to address the most pressing national development needs.

2. The first CCF provides the basis for the future contribution of UNDP to a coordinated United Nations system effort to support the country's development. The primary reference is the United Nations system country strategy note, in which the Government has requested the United Nations to focus its technical cooperation on two national priority programmes, namely, rural development and human resources development, towards the goal of ultimately eradicating poverty in the country. The Government has also requested, through the present CCF, that UNDP contribute to the achievement of that goal by building national capacities for development and assisting in aid mobilization and coordination. In making that request, full account has been taken of UNDP views on the human development situation in the Lao People's Democratic Republic and the proposed development cooperation strategy and themes contained in the UNDP advisory note. The UNDP regional development cooperation strategy and themes were also taken into account.

3. The present document is the outcome of an extensive consultative process between the Government and UNDP. Consultations to determine the direction of future UNDP assistance started at the mid-term review of the fifth country programme, held in April 1995 (see DP/1996/12/Add.2 for the report), and continued during the preparation of the advisory note, which was officially transmitted to the Government in August 1996. The first CCF is the product of a joint Government/UNDP working group, led by the Committee for Investment and Cooperation of the Prime Minister's Office. Separate meetings with United Nations agencies, UNDP Executive Board members with representation in Vientiane, bilateral donors, and non-governmental organizations (NGOs) were convened, to solicit their inputs to the CCF formulation process.

I. NATIONAL DEVELOPMENT SITUATION

4. The Lao People's Democratic Republic is a largely mountainous country of 4.6 million people. While the population is growing rapidly at an annual rate of 2.4 per cent, the population density is among the lowest in Asia. Over 2.1 million Lao people live in poverty, some 1.9 million of whom live in the countryside, where the incidence of poverty is higher than the national average of 46 per cent. Consumption distribution data indicate an economic divide between the rich and poor, with the poorest 10 per cent of the population accounting for only 4 per cent of total consumption, while the richest 10 per cent account for 26 per cent. Gender-sensitive statistics indicate that women are generally poorer, less educated, and have less development opportunities than men. This is partly due to a very high average fertility rate of 6.6 children per women.

5. The most recent available national indicators of basic human well-being are among the lowest in the region: average life expectancy is 51 years; over one third of adults are illiterate; the infant mortality rate is 113 per 1,000 live births; the maternal mortality rate is 656 per 100,000 live births; 51 per cent of the population has access to safe drinking water and 32 per cent of the population has access to sanitation; and 10 per cent of children under five

years of age suffer from severe malnutrition. The Government has set ambitious targets for improving the situation by the year 2000.

6. During the period 1991-1995, the economy grew at an average annual rate of 6.4 per cent. Despite these gains, the Lao People's Democratic Republic remains a least developed country, with per capita gross domestic product (GDP) estimated at $350 in 1995. Agriculture still accounts for over half of GDP and engages almost 60 per cent of the workforce. In the future, it is expected that hydro-power, in particular, will generate increased export earnings, while the services sector, including tourism, has the greatest potential for new employment opportunities.

7. Eight national priority programmes will address the fundamental goals of structural transformation of the economy and improvements in the quality of life of the population: (a) food production; (b) stabilization/reduction of shifting cultivation; (c) commercial production; (d) infrastructure development (e) improved socio-economic management and foreign economic relations; (f) rural development; (g) human resources development; and (h) services development. In line with the 20/20 compact proposed at the World Summit for Social Development, the share of social sector public investment is targeted to rise from 13 per cent in 1995 to 20 per cent by the year 2000.

8. A National Poverty Eradication Plan will be prepared, pursuant to agreements reached at the World Summit for Social Development. The Government's main strategy for poverty eradication is to enable the poor in rural areas to gain access to basic social services and to markets. An interrelated set of development interventions will be implemented for target communities, in the context of provincial development plans and according to the development needs and opportunities of the target communities. Basic social services will be emphasized where health, nutrition and other human development indicators are most worrying. Rural infrastructure will be given more emphasis in isolated communities, where lack of market access is the main constraint to production beyond subsistence. Income-generating activities will be promoted through provision of micro-financial intermediation services.

9. The Government will continue to create the necessary conditions for the efficient functioning of a market economy, to enable and encourage private investments - both domestic and foreign - as a source of employment and livelihood opportunities. Towards this end, policy and institutional reforms relating to governance under a market economy will continue, and the necessary legal and regulatory framework will be firmly established. These reforms must take place with a view to promoting the sustainable use of the country's rich natural resources, which are critical to the future of the Lao People's Democratic Republic.

II. RESULTS AND LESSONS OF PAST COOPERATION

10. The fifth country programme for the Lao People's Democratic Republic (DP/CP/LAO/5), which covered the period 1992-1996, focused on three areas: support to the New Economic Mechanism (NEM); development of physical infrastructure; and human resources development. Over the five-year period of the programme, a number of projects have had a cumulative impact on the country's capacity for development management. UNDP support was provided in a number of areas, including the creation of new institutions, the establishment of new systems and procedures, the drafting of enabling legislative acts, the preparation of master plans for sector development, the coordination of aid mobilization and programming, and the implementation of pilot demonstration projects, always with the upgrading of staff skills as a standard component. Based on the experience of the fifth country programme, it has been ascertained that the major strengths of UNDP in the Lao People's Democratic Republic are its

neutral and trusted position with the Government and the donor community and its emphasis on national ownership, capacity development and aid coordination.

11. In supporting the process of economic reform, UNDP helped to create and strengthen two institutions now responsible for the management and coordination of two critical development resources - foreign investment and external assistance. UNDP also supported the development of the related legislation, namely, a foreign investment law and a foreign assistance decree.

12. In infrastructure development, UNDP enhanced capacity for sector planning, particularly in telecommunications and civil aviation, for which master plans were formulated. These master plans have served as the basis for developing investment projects, mobilizing resources and coordinating aid in those sectors. Several projects are now in progress, with assistance from financial institutions, bilateral donors and the private sector, in line with the approved master plans.

13. The cumulative impact of UNDP assistance in human resources development was derived from on-the-job training and fellowships provided in practically all technical cooperation projects funded by UNDP.

14. Despite the successes of the fifth country programme, the most important lesson learned was that there is a need to sharpen the focus of UNDP technical cooperation on strategic areas. A more integrated approach, directed towards interrelated and mutually reinforcing interventions designed to achieve maximum impact on pre-identified indicators and targets, is needed in the future.

III. PROPOSED STRATEGY AND THEMATIC AREAS

15. Poverty eradication is the ultimate development objective of the entire United Nations system in the Lao People's Democratic Republic. The UNDP contribution to that objective will be in the area of capacity development, i.e., the building and application of national capacity in policy development and operations at the central, provincial, district, and grass-roots levels of government.

16. The Government endorses the UNDP people-centered and sustainable development approach, as well as its guiding principles, namely: national ownership of the development process, to ensure sustainability; aid coordination, for prompt, efficient, and effective use of external assistance; resource mobilization, to ensure adequate financing of capital and technical assistance requirements for national priority programmes; the programme approach, to be applied to the extent feasible; United Nations system cooperation and collaboration, to ensure complementarity and maximum development impact of assistance; and the integration of gender concerns into all programmes and projects, through gender-sensitive baseline studies and UNDP initiatives favoring affirmative action to benefit women.

17. Aid is the main source of development financing in the Lao People's Democratic Republic, and the country's capacity to access and absorb such funds must be enhanced. UNDP has been asked to continue to support the Government-led round-table meeting process, as the principal mechanism for aid coordination and resource mobilization. In addition, every UNDP-assisted programme or project will contribute to building or strengthening the capacity of Government to manage and coordinate aid within the particular sector, sub-sector, theme, or geographic area.

18. The area of human resources is the main development constraint in the Lao People's Democratic Republic, and UNDP has been requested to support human

resources development, including the Government's articulation of a national programme. The UNDP contribution will be directed towards human resources development management, embracing the following themes: rural community development; management of economic transition; and environment and natural resource management.

A. Rural community development

19. The March 1996 Sixth Party Congress, noting the socio-economic challenges facing the Government, reinforced the Government's commitment to rural development. In addition, the Socio-economic Development Plan targets rural development as one of the eight national programme priorities. The commitment to rural development is further highlighted in other priority programmes, namely human resources development, reduction of shifting cultivation, commercial production and food security.

20. The Government recognizes that improving the rural population's access to basic services and to the benefits of the developing market economy is the key to rural development. Rural planning will vary by region and area and will be based upon the conditions and opportunities found in each of the provinces and communities. Attention will also be paid to the interrelationship of the development plans of provinces and communities to planned investments in large-scale development initiatives, such as hydro-power and rural electrification. As the principal protagonists and beneficiaries of rural development, the poorest communities, ethnic minority groups and women will be especially targeted.

21. The Government has requested UNDP support at all levels of the process of rural development and to demonstrate how rural development initiatives in selected provinces can be based on bottom-up planning. Such activities will also emanate from national rural development policies firmly rooted in a comprehensive, gender-sensitive statistical database for monitoring purposes. Continued UNDP support for rural development policy and a strengthened statistical information capacity is also required. UNDP resources will also be used to augment institutional capacities at the village, district and provincial levels, in support of national rural development goals.

22. UNDP assistance at the community level will focus on income generation activities and the provision of micro-finance services (credit and savings) in several provinces and districts across the country, to be selected based on previous UNDP interventions in the locality and the potential for collaboration with other donors. All interventions will be undertaken on a participatory basis, ensuring the involvement of rural communities in managing and sustaining their own development, thereby empowering the poor to gain access to the resources needed to improve their lives. Particular target beneficiaries will be women and ethnic minorities, who are among the poorest groups in Lao society.

23. The role of district and provincial authorities in promoting rural development is critical in light of Sixth Party Congress pronouncements reinforcing government commitment to decentralization. Targeting local governments in selected provinces, UNDP will assist in building institutional capacities to plan, implement and monitor development activities, with increased participation and coordination among technical departments. Such planning will be sensitive to the concerns of women, ethnic groups and the environment. UNDP will also support provincial authorities in their efforts to mobilize resources and establish coordination among different donors, to ensure complementarity and maximum impact.

24. UNDP will support the Government in the formulation of a National Rural Development Programme and a National Poverty Eradication Plan, with clearly

defined targets. The measurement of impact on the rural poor and monitoring of social development in the Lao People's Democratic Republic will also be carried out through the development of a national social information system. Micro-finance policy and opportunities have been identified through a UNDP/United Nations Capital Development Fund study and interministerial meetings.

25. At the central level, UNDP will help the Government to coordinate rural development assistance from the United Nations system and other donors, in order to achieve maximum impact. For example, unexploded ordnances left from the Indochina war are a major impediment to development in thousands of Lao rural communities. UNDP will continue its lead role among donors in supporting the national programme aimed at clearing land for food production and reducing the risks unexploded ordnances present to rural people. A similar role is expected of UNDP in the area of disaster management (relief, mitigation and preparedness), since natural disasters undermine concerted national efforts to break the cycle of rural poverty.

26. The impact of UNDP support will be measured at all levels of intervention. Success indicators will include: improved linkage of policy development and programme implementation to local needs, priorities, and capacities; greater income for poor people in targeted provinces and districts; increased capacities to manage rural development at all levels, including increased involvement of women and ethnic minorities; effective policies in areas such as micro-savings and micro-credit with pilot systems tested in selected provinces; improved aid coordination in target provinces.

B. Management of economic transition

27. Based on the directives of the Sixth Party Congress, the Government has renewed its commitment to the New Economic Mechanism (NEM), the Lao national blueprint for transition towards a market economy. The country has gone a long way in this transition and a fully functioning market economy is well within sight. This is a fundamental change process, since elements of NEM are intrinsic to the Socio-economic Development Plan's eight national priority programmes. UNDP will support the integration of NEM principles across a wide array of areas affecting central and provincial government bodies and public and private elements of Lao civil society.

28. UNDP will continue to assist the Government in its administrative reform process. What is particularly needed is the development of a conceptual framework and the strengthening of national capacity for the implementation of reforms in strategic areas. Increased cooperation in the area of local governance is foreseen. Support is also needed to enhance the involvement and capacity of women in the civil service, and the responsibilities in society of civil associations, including mass organizations, the burgeoning private sector and local organizations such as the Lao Chamber of Commerce, the Bar Association and a plethora of rural community associations.

29. In the legislative realm, UNDP will help to strengthen the institutional relationships between the National Assembly, the Ministry of Justice, the High Court and the line ministries from which new legislation originates. The aim will be to ensure the promulgation and implementation of laws critical to continued economic growth and social equity. Within the context of UNDP interventions, the country office will support an expansive consultation process, to ensure that all new laws are scrutinized with regard to their impact on women and disadvantaged groups, especially the poor.

30. The Government has also requested UNDP strategic assistance to ensure regional integration into the Association of South-East Asian Nations (ASEAN)

and effective participation in other multilateral bodies, such as the Mekong River Commission. In conjunction with the other United Nations agencies, UNDP will help the Government to manage key issues, such as equity, gender and environment, which are of cross-sectoral importance. Human immunodeficiency virus (HIV)/acquired immune deficiency syndrome (AIDS) concerns will also be given more emphasis in programming UNDP assistance, within the context of the Joint and Co-sponsored United Nations Programme on HIV and AIDS.

31. UNDP support is needed for institutional capacity-building in key line ministries, particularly the Ministry of Finance and the Ministry of Labour and Social Welfare. Support in this area could serve to increase revenue flows, further improve expenditure management for a more equitable allocation of public funds, and improve social security for the public and private sectors. Institutional support will be targeted at provincial and district administrations for government-approved decentralization and to strengthen local programme management and delivery capacities in rural development programmes.

32. UNDP support, together with support from bilateral partners and the international financial institutions, will enable the Government to move towards a more programmatic vision and management capacity in the NEM process. NEM provides the framework and basis for equitable development and coordinated planning and implementation to increase the overall efficiency of the Government and fortify its relation to civil society. Success of donor support in this area will depend on how that support assists the Government in improving its ministry-specific and cross-ministerial performance in achieving the goals of NEM, namely, market-driven growth and social equity. UNDP assistance will have a broad impact on NEM-oriented policies geared towards growth with equity and their effective implementation. Success indicators will include: improved government coordination at the village, district, provincial and central levels; the implementation of an effective civil service system, with a greater role for women in responsible positions; a streamlined system for review, consultation, enactment and implementation of laws and regulations; effective participation in ASEAN; and a substantial increase in national revenue collection.

C. Environment and natural resource management

33. One of the foremost challenges faced by the Lao People's Democratic Republic is the judicious use of its natural resources in support of sustainable economic growth. The Government is committed to environmentally sustainable development and conservation domestically and worldwide. The Lao People's Democratic Republic is a signatory to key environmental conventions, including the Convention on Biodiversity and the United Nations Framework Convention on Climate Change. The Government's Tropical Forestry Action Plan and Environmental Action Plan provide the policy basis for priority programmes such as reducing shifting cultivation, national land-use planning, community forestry and watershed management (integrated with water resources development). A number of laws, decrees and regulations critical to modern environmental management have been passed recently or are under review. The Government has also established 20 national protected areas for biodiversity conservation and has initiated natural resources inventories.

34. UNDP recently supported the development of an environmental monitoring capacity in key line ministries and the drafting of a range of environmental legislation, including draft environmental and mining laws, and a nationwide pollution control monitoring system, beginning with waste water. Together with bilateral partners, UNDP will provide further support to strengthen environmental management capacity within the Government's Science, Technology and Environment Office (STENO) and key line ministries. UNDP will assist STENO to fulfil its legal mandate as the premier agency responsible for environmental management, oversight and enforcement, through continued institutional capacity

development at the central level and new capacity development activities in the provinces, where the bulk of environmental monitoring and enforcement activities will take place. Special attention will be given to establishment of national standards for environmental impact assessments of proposed investment projects, and to the improvement of the capacity to use environmental impact assessments as a decision-making tool.

35. UNDP will help the Government to expand its environmental management and conservation programme, through the development of a series of project profiles for national and external funding. These profiles will target priority environmental issues associated with natural resource exploitation (forests, hydropower and minerals), as well as biodiversity and urban pollution concerns. UNDP support for such projects will be linked to the mobilization of funds from the Global Environmental Facility (GEF) and bilateral donors for specific purposes, such as solid waste management. UNDP will support the Government in meeting its international obligations under key environmental treaties, when possible, with GEF support.

36. UNDP will continue to provide critical environmental assistance to the key line ministries and departments associated with natural resource management, as well as to provincial and municipal authorities tackling environmental problems associated with rapid urban growth. Moreover, UNDP will help to develop a human resource development plan for environmental management.

37. UNDP collaboration in the environment and natural resource management sector will help to ensure that the Government's management capacity keeps pace with economic expansion. UNDP will screen the full range of its activities to ensure institutional responsibility for environmental impact. Success indicators will include: an increased number of trained personnel capable of environmental and natural resources management; the institutionalized application of environmental impact assessments in national procedures for the appraisal of proposed investment projects, under the coordination of STENO; the existence of a functioning environmental and pollution-control monitoring system; pilot interventions to provide models for environmentally-conscious development in areas such as biodiversity, urban development and natural resource management; fulfilment of national obligations as signatory to global conventions.

IV. MANAGEMENT ARRANGEMENTS

A. Formulation and design

38. UNDP support will assist the Government in its efforts to formulate coherent national programme frameworks for rural development and human resources development. When completed, these will provide the framework for defining programme support by UNDP and other donors. The Government and UNDP will jointly determine the feasibility of applying the programme approach, taking into account the local realities. Otherwise, the standard project approach will be used, clearly linking UNDP capacity development interventions to national programmes and priorities.

39. To allow adequate monitoring of UNDP interventions and evaluation of their impact, it will be necessary, as a preliminary and standard practice, to document in advance specific performance milestones, success criteria, and impact indicators, and to make provisions in project and programme design for generating the information required for their measurement. Project LAO/96/003, "Development of Socio-economic Indicators", will identify and measure indicators of living conditions against targets.

B. Execution and implementation

40. National execution is strongly supported by the Government and is its preferred modality for new programmes and projects. Based on a review of national execution experiences that was conducted in mid-1996, new, improved guidelines have been implemented and national managers will be given additional training.

41. Implementation and technical support services will be procured from United Nations specialized agencies on a competitive basis, and partnerships with NGOs will increasingly be considered. For maximum cost-effectiveness, United Nations Volunteers will continue to assist in the implementation of UNDP-assisted interventions, especially at the grass-roots level. Training and consultancy services will increasingly be sought from within the region, particularly in light of the country's imminent membership in ASEAN.

C. Monitoring and review

42. Monitoring and review of implementation of the first CCF will be conducted semi-annually, in conjunction with monitoring of country strategy note implementation by the Government and the United Nations system, led by the United Nations Resident Coordinator. United Nations system collaboration, cooperation, and division of responsibility in areas identified in the country strategy note will be emphasized. There will also be an annual review of CCF implementation and a mid-term review in early 1999, to be conducted jointly by the Government and UNDP.

43. The documentation for each programme or project intervention will specify the mechanism for monitoring performance and evaluating impact, including the performance milestones, success criteria, and impact indicators to be measured during the course of implementation.

D. Resource management

44. UNDP will assist the Government in its efforts to mobilize external resources for national priority programmes. Mobilization of core resources from UNDP and other funds to be managed by UNDP are targeted by source for the CCF period, 1997-2000, as listed in the annex to the present document.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR
THE LAO PEOPLE'S DEMOCRATIC REPUBLIC (1997-2000)

(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated IPF carry-over	(23)	
TRAC 1.1.1	11 588	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
TRAC 1.1.3	2 000	Unexploded ordnance clearance and disaster management.
SPPD/STS	1 025	
Subtotal	14 590 a/	
NON-CORE FUNDS		
Government cost-sharing	-	
Sustainable development funds	4 500 of which:	
GEF	4 000	
Capacity 21	500	
Third-party cost-sharing	20 000	
Funds, trust funds and other	12 700 of which:	
UNCDF	10 000	
UNV	2 500	
UNIFEM	200	
Subtotal	37 200	
GRAND TOTAL	51 790 a/	

a/ Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: IPF = indicative planning figure; SPPD = support for policy and programme development; STS = support for technical services; TRAC = target for resource assignment from the core; UNIFEM = United Nations Development Fund for Women; and UNV = United Nations Volunteer programme.